

62nd Annual Report

Utah Department of Alcoholic Beverage Control

Kenneth F. Wynn, Director

July 1, 1996 to June 30, 1997

Summary of Operations

Background

Utah is one of 19 "control" jurisdictions that control the sale of alcoholic beverages, (18 control states and Montgomery County, Maryland, an affiliate of the control state system). These jurisdictions account for almost one-third of the U.S. population, and regulate their own retail and/or wholesale distribution of alcoholic beverages. The result: private seller mark-ups are replaced with revenues generated for the state to support public goals of moderation and revenue enhancement.

The Utah Department of Alcoholic Beverage Control is governed by a five member, part time commission. The commission employs a full time director to oversee the day-to-day operation of the department. The policy of the department, as set by statute, is to operate as a public business using sound management principles and practices, and function with the intent of servicing the public demand for alcoholic beverages.

The Department operates a statewide network of state stores and package agencies which sell all alcoholic beverages, except beer containing less than 4% by volume (which is sold in grocery and convenience stores). The department also administers the liquor laws, and regulates the sale, service, storage, manufacture, distribution, and consumption of alcoholic products.

Utah's liquor control system offers definite advantages to Utah's citizens. Liquor sales provide a major source of income to the state's general fund which relieves the taxpayers of a significant tax burden each year and contributes heavily to state government programs, including health and education. In addition, school lunch funds and taxes are collected and dispensed from liquor sales.

Under the provisions of Utah Code Annotated 32A-1-115 (1953), as amended, a \$4,350,000 appropriation from liquor profits maybe distributed each year to cities, towns and counties. The appropriation supplements the budget of each city, town, and county within the state, and is used exclusively for programs or projects related to alcohol prevention, rehabilitation, detection, prosecution, and control.

Annual statistical data clearly shows that per capita consumption of alcoholic beverages is significantly lower in control states:

Liquor Control States			
Alabama	Mississippi	Oregon	Washington

Idaho	Montana	Pennsylvania	West Virginia
Iowa	New Hampshire	Utah	Wyoming
Maine	North Carolina	Vermont	Montgomery County, Maryland
Michigan	Ohio	Virginia	

Average Consumption Per Capita in Utah		
For Fiscal Year 1997 and Fiscal Year 1996*	FY 97	FY 96
	(in gallons)	(in gallons)
Average Consumption Per Capita in Utah for Spirits :	.706	.691
Average Consumption Per Capita in Utah for Wine :	.750	.714
Average Consumption Per Capita in Utah for Heavy Beer :	.207	.180
Average Consumption Per Capita in Utah for All Products :	1.663	1.585

*Based on Population of 2,049,000 as of June 30, 1997 and 2,002,000 as of June 30, 1996.

Comparative Gallonage for Utah	FY 1997	FY 1996
	Gallons	Gallons
Whiskey	518,883	515,557
Brandy	32,632	30,346
Gin	60,446	57,886
Rum	137,146	125,928
Vodka	393,343	380,428
Tequila	81,970	73,117
Misc. Liquor	221,489	200,942
Heavy Beer	424,523	359,664
Wine	1,536,065	1,428,900
TOTAL GALLONS	3,406,497	3,172,768

A Continuing Commitment To Responsible Moderation:

At a time when alcohol is generally regarded as the number one drug problem in America, with millions of adult and teenage problem drinkers, the public responsibility to promote moderation is painfully clear. It's not alcohol itself, but abuse of it that is dangerous. Most drinkers use alcohol in moderation without posing a risk to the safety of others. However, ways must be found to prevent its abuse.

Utah law prohibits the sale of alcoholic beverages

-to persons under 21 years of age.

-to intoxicated people.

-to interdicted persons.

Statement of Operations	FY 1997	FY 1996
Operating Revenue:		

Retail Sales	111,895,874	102,866,680
Military Sales	1,451,233	920,179
Total Sales	113,347,107	103,787,159
Cost of Goods Sold	60,234,762	54,845,038
Gross Profit	53,112,344	48,942,121
Permits, Licenses & Fees	767,649	785,212
Misc. Other Income	19,548	16,925
Total Other Income	787,197	802,137
Total Revenue	53,899,541	49,744,258
Operating Expenses:		
Salaries, Wages & Benefits	7,710,446	7,215,492
Travel Expense	30,290	30,918
Telephone	112,595	105,284
Data Processing	368,294	219,461
P.A. Contracts	963,523	916,730
Postage, Printing & Supplies	348,807	361,985
Professional & Tech. Services	182,308	209,638
Rentals & Leases (Note H)	1,011,004	1,015,488
Utilities	277,201	262,494
Maint. & Repairs/Oper. Supplies	189,512	251,814
Depreciation	821,569	805,801
Insurance & Bonds	24,854	44,421
Cash Over & Short (Note I)	44,121	31,857
Misc. Other Expenses	85,187	63,079
Total Operating Expenses	12,169,709	11,534,366
Other Expenses:		
Claims Against Suppliers	(142)	(966)
Loss From Breakage & Damage	52,147	63,070
Transfer to Other Funds	0	0
Total Other Expenses	52,005	62,104
Total Expenses	12,221,715	11,596,470
Net Operating Income	41,677,827	38,147,788
Less: Taxes Collected		
Sales Tax	5,831,419	5,327,755
School Lunch Tax	11,534,446	10,664,951
Total Taxes Collected	17,365,866	15,992,706
Net Profit	\$24,311,961	\$22,155,082
Current Assets:		
Cash In Banks & Treasurer (Note B)	(3,878,579)	0
Petty Cash & Change Fund	82,750	82,750

Total Cash	(3,798,829)	82,750
Other Current Assets:		
Accounts Receivable	1,827,484	811,445
Inventories (Note C)	9,400,517	9,021,866
Prepaid Expenses (Note D)	7,711	1,320
Total Other Current Assets	11,235,713	9,834,631
Total Current Assets	7,439,883	9,917,381
Property & Equipment:		
Land	3,340,957	2,747,247
Buildings	12,704,224	12,283,800
Building Improvements	561,754	571,787
Data Processing Equipment	1,627,494	1,801,673
Furniture, Fixtures & Equipment	1,753,780	1,827,790
Capital Leases	1,653,000	1,653,000
Delivery Equipment	815,973	786,425
Total Property & Equipment	22,457,182	21,671,722
Less: Accumulated Depreciation	(5,022,703)	(4,712,547)
Net Property & Equipment	17,434,479	16,959,175
Total Assets	24,874,362	26,876,556
	FY 1997	FY 1996
Current Liabilities:		
Accounts Payable-(Note F)	5,582,749	9,1361,023
Bonds	190,000	135,000
Capital Leases	158,882	147,308
Accrued Payroll	364,060	300,613
Accrued Annual Leave Payable	1,990	224
Taxes Payable	(1,279)	272
Deposit In Lieu of Bond	72,000	72,000
Deferred Revenue	221,250	212,250
Total Current Liabilities	6,589,652	9,998,690
Long-Term Debt:		
Due To General Fund (Note G)	9,739,818	9,911,573
Bonds	1,259,345	3,825,000
Capital Leases	5,465,000	1,320,746
Total Long Term Debt	16,464,163	15,057,319
Fund Balance:		
Investment in Fixed Assets	1,619,547	1,619,547
Current Year Earning	(24,311,961)	(22,155,083)
Working Capital	201,000	201,000
Current Profit	24,311,961	22,155,083
Total Advances & Retained		
Earnings	1,820,547	1,820,547
Total Liabilities, Advances &		
Retained Earnings	24,874,362	26,876,556

NOTE A: ACCOUNTING POLICIES: The Utah Department of Alcoholic Beverage Control has been designated as an

enterprise fund by Section 51-5-5 of the Utah Code Annotated (1953), as amended. The administrative operating budget is subject to legislative controls. The transfer of profits to the general fund is determined by the department's internal accounting system which is on an accrual basis in accordance with generally accepted accounting principles. The current markup, effective October 1, 1985, is as follows: distilled spirits, wine, champagne 61%, and beer 75%. Beginning with the fiscal year ended June 30, 1978, the department has reported its sales at the gross amount based on published prices which includes school lunch, sales, and transit taxes.

NOTE B: CASH: All cash receipts are deposited in bank accounts to the credit of the State Treasurer; then, depending on the particular account, these funds are transferred, generally on a daily basis, to the Liquor Control Fund.

NOTE C: INVENTORIES: Inventories are valued at FIFO and consist of merchandise stored in our warehouse and each of the outlets (35 stores and 84 package agencies). It also includes general supplies and liquor bags at the warehouse.

NOTE D: PREPAID EXPENSES: Prepaid expenses consist of advance payments that have been made for insurance, dues, maintenance agreements, and postage that will be expensed during subsequent periods.

NOTE E: PROPERTY AND EQUIPMENT: Property and equipment are stated on the balance sheet at cost and are depreciated on the straight-line method over the estimated service lives of the assets.

NOTE F: ACCOUNTS PAYABLE: Accounts payable represent the current liabilities incurred for incoming freight, operating costs, and the purchase of merchandise.

NOTE G: FINANCING OF FIXED ASSETS/DUE TO GENERAL FUND: During the fiscal year \$384,190 in fixed assets were purchased; therefore, that amount was withheld from the transfer to the General Fund and adjusted to the long term debt due to the General Fund. An amount equal to the depreciation reduces that debt.

NOTE H: RENTALS AND LEASES: Leases are the result of competitive bids or negotiations. A standard lease agreement has been developed. The more recent leases now provide for payment of taxes and sometimes insurance when they exceed those of a base period. None of the current leases contain provisions for minimum payment in case of cancellation by the state, but they all contain a provision in case of a change in the law that might have an impact upon the operation of the department.

NOTE I: CASH OVER AND SHORT: The department uses a "forced sales" system to determine the sales. If an item is not in the inventory, it is assumed that it has been sold. Delays in reporting shipments, errors in inventories, and other items that are not reported correctly, can create a cash shortage or an overage. This is usually offset from one month to the next.

Liquor Outlets in Operation

State Liquor Stores 35

Package Agencies 84

Case Sales

Total case sales in all categories of spirituous liquor amounted to 1,247,316 cases in fiscal year 1997, an increase of 84,963 cases from fiscal year 1996:

Utah Department of Alcoholic Beverage Control Commission

Commissioners

Jerry D. Fenn, Jr., Chairman

Nicholas E. Hales

Vickie McCall

A. Dean Jeffs

Carl S. Hawkins

Commission Meetings: Held monthly at the Department's office in Salt Lake City.

Executive Administration

Kenneth F. Wynn, Director

Dennis R. Kellen, Operations Manager

Richard W. Pearson, Administrative Manager

Earl F. Dorius, Compliance & Licensing Manager

Personnel

(Positions filled as of June 30, 1997)

Administrative Office 49

Warehouse 29

Stores:

Full Time Employees 125

Part Time Employees 210

Total Store Employees 335

Total Employees 413
